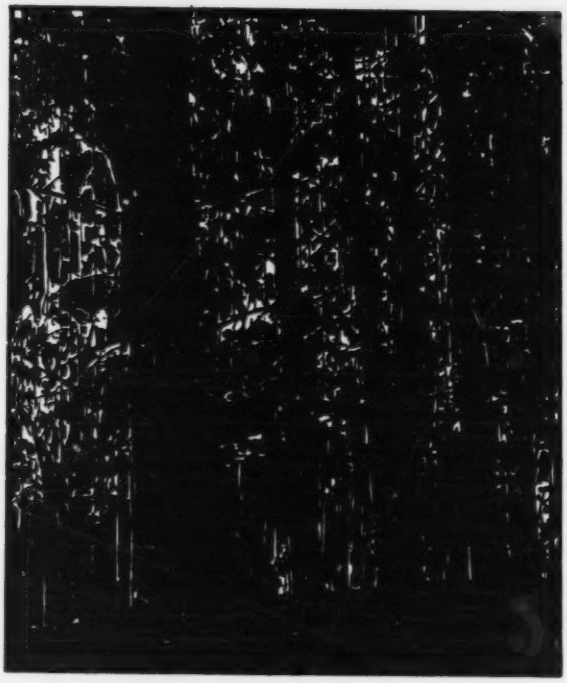

# Algonquin Forestry Authority

## Eighth Annual Report
## 1982 - 1983

36

Ministry of
Natural
Resources

**TO HIS HONOUR**
The Lieutenant-Governor
of the Province of Ontario

**MAY IT PLEASE YOUR HONOUR**
The undersigned begs respectfully to present your Honour the Annual Report of the Algonquin Forestry Authority for the year beginning April 1, 1982, and ending March 31, 1983.

ALAN POPE
Minister

Algonquin
Forestry
Authority

Honourable Alan Pope
Minister of Natural Resources

Honourable Sir:
I have the honour to submit to you the Annual Report of the Algonquin Forestry Authority for the year beginning April 1, 1982, and ending March 31, 1983.

B.A. Reynolds
Chairman

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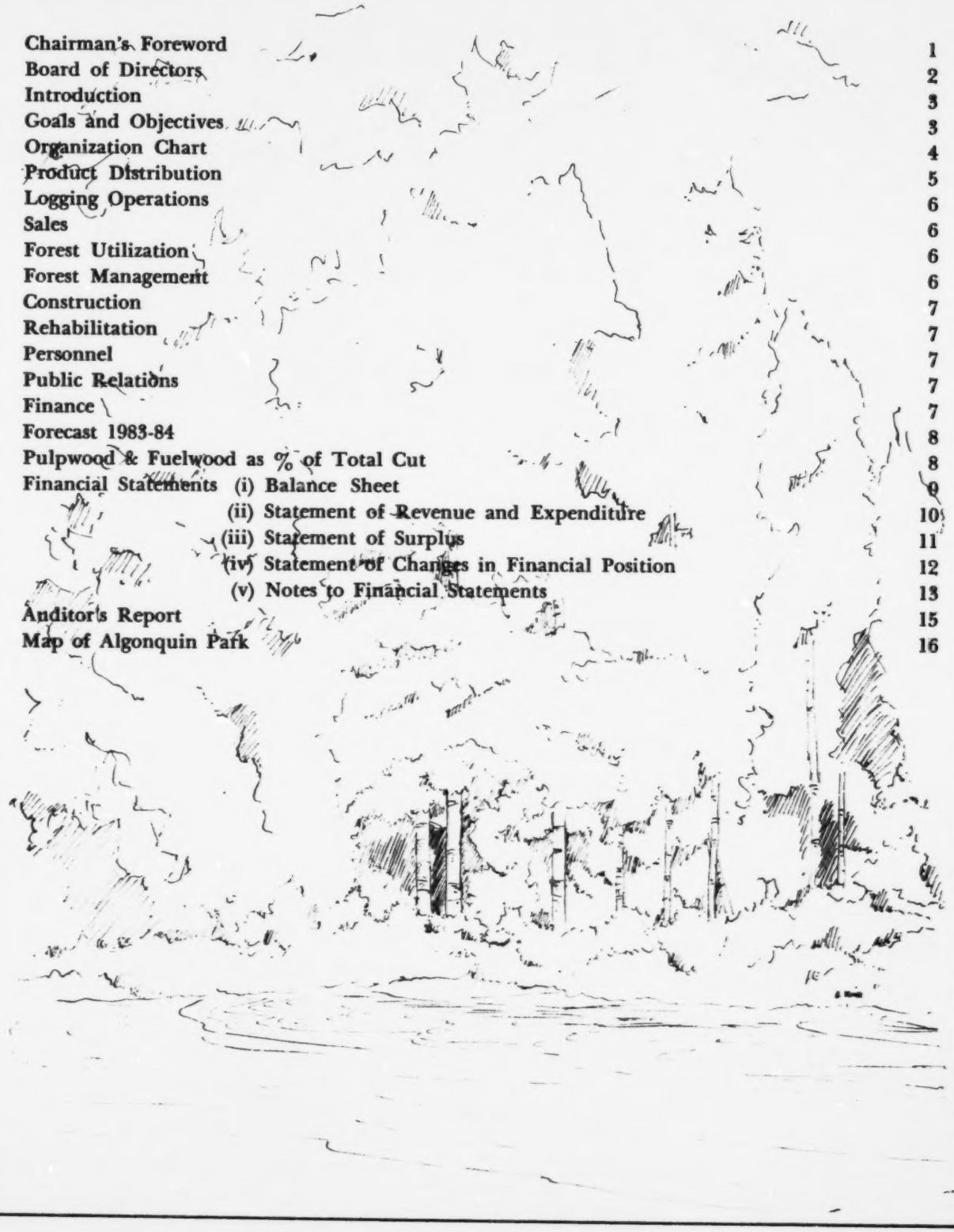


# Chairman's Foreward

The terms of office of four of the founding Directors of the Authority were completed in 1982. The retiring Directors, Chairman V.J. Nordin, Vice-Chairman J.W. McNutt, G. Godwin and G.B. Priddle were instrumental in the successful founding and direction of the Authority through their wise counsel, patience and sensitivity to the principles of integrated resource management. The Board acknowledges with thanks the active participation and good work of these retirees.

Welcome is extended to the new appointees, Vice Chairman F.K. Roberts, Gail Maeck, S.J. Simons, and G.E. Wallace.

The deepening recession of the economy in 1983 was particularly hard on the regional forest industry, dependent as it is on general industrial activity and housing starts. Most of the mills supplied took down-time during the year and sold many of their products below cost to maintain cash flow and to provide employment in communities where alternative employment opportunities are rare.

The sensitivity of the Authority to this situation is evident in the net earnings for the year of $3,430 on $6.8 millions of revenue. Even this modest level of earnings is an indication of sound performance in the context of the prevailing economy. The 1982 results were achieved through the cost reduction measures implemented during the year and through the diligence and dedication of the operational staff.

The announcement by the Minister of Natural Resources in July 1982 of the transfer of forest management responsibilities in Algonquin Park to the Authority culminated extensive study and discussion. A good deal of effort has been expended since that time in devising the transfer procedures for implementation at the effective date April 1, 1983. Appreciation is expressed to the Ministry staff involved in this process for co-operation and support in effecting the transfer. The Authority takes on this assignment of additional duties with serious dedication to maintain the high standards of forest management achieved by the Ministry.

Finally, our forest industry clients are commended for their support through difficult times in the hope that the indications of a modest economic recovery are real.

B.A. Reynolds
Chairman

# Board of Directors

**Chairman:** B.A. Reynolds, Huntsville

**Vice Chairman:** F.K. Roberts, Toronto

**Directors:**
W.G. Beatty, Gravenhurst
J. Flavelle, Pembroke
G. Maeck, South River
R. Milne, Sundridge
F. Parrott, Huntsville
J. Simons, St. Catharines
G.E. Wallace, North Bay
K. Wilson, Boulter
D.G. Wolfe, Eganville

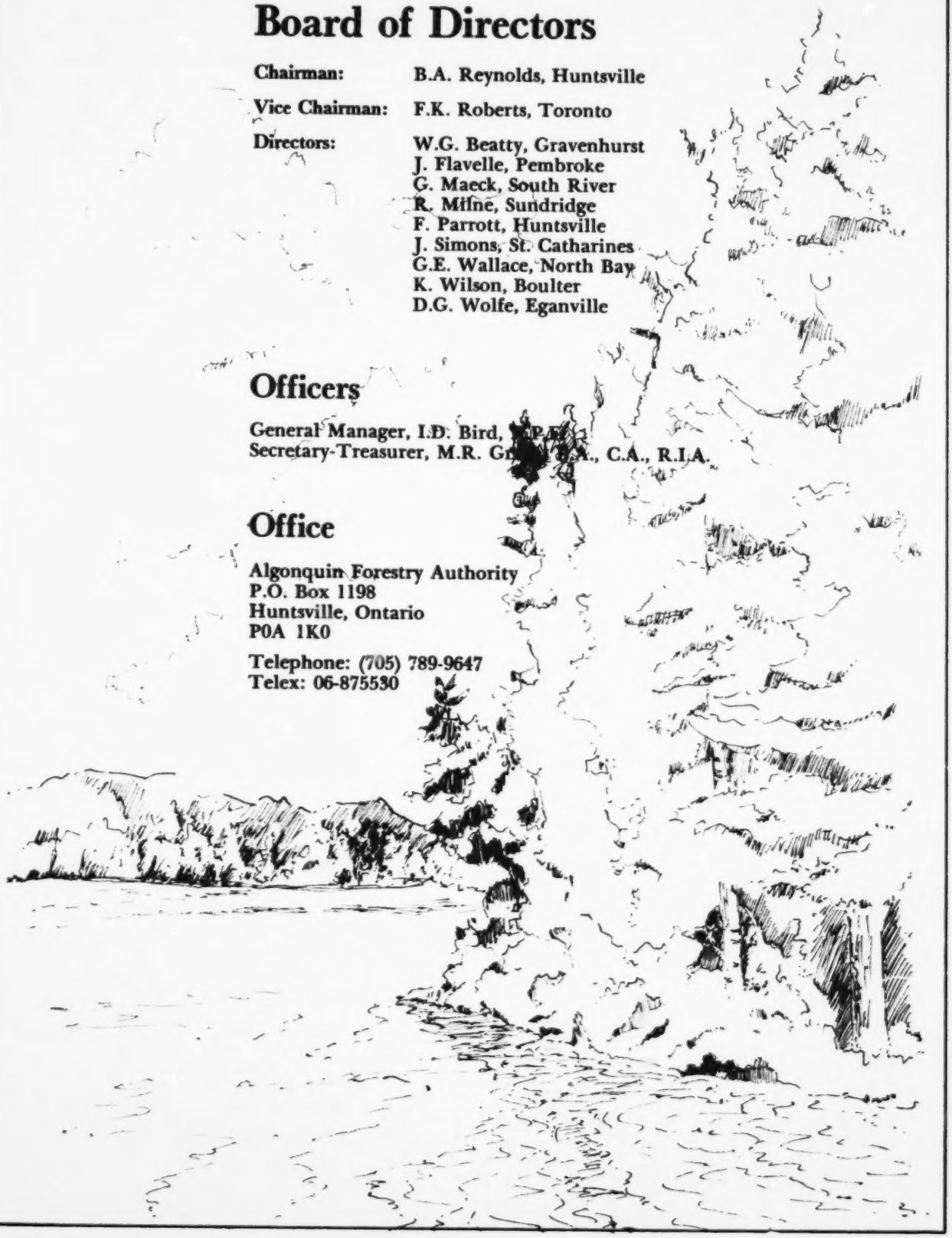
## Officers

General Manager, I.D. Bird, [illegible]
Secretary-Treasurer, M.R. Gr[illegible], C.A., R.I.A.

## Office

Algonquin Forestry Authority
P.O. Box 1198
Huntsville, Ontario
P0A 1K0

Telephone: (705) 789-9647
Telex: 06-875530



# Introduction

Logging originated around 1840 in the area which subsequently became Algonquin Park. Logging, one of the multiple uses to which the Park was dedicated in 1893, has continued to the present.

The Ontario Government established the Algonquin Forestry Authority on January 4, 1975, in response to public concern for the most beneficial means of maintaining a multiple-use approach in Algonquin Provincial Park.

The Authority operates in conformity with the Algonquin Provincial Park Master Plan and the Forest Management Plan for Algonquin Provincial Park, successfully applying the principles of integrated resource management. The public interest in the quality of the Park for recreation is balanced with the need to maintain an adequate supply of logs to mills dependent on Park timber (1).

The forest industry supplied by Algonquin Park timber comprises eleven sawmills, four veneer mills, one pole plant, one pulp mill and one match splint mill which are wholly or partly dependent on this vital source of raw material. Direct contribution by Algonquin logging and primary manufacturing to the Ontario economy was $38 millions in terms of 1983 value added (2).

## GOALS AND OBJECTIVES

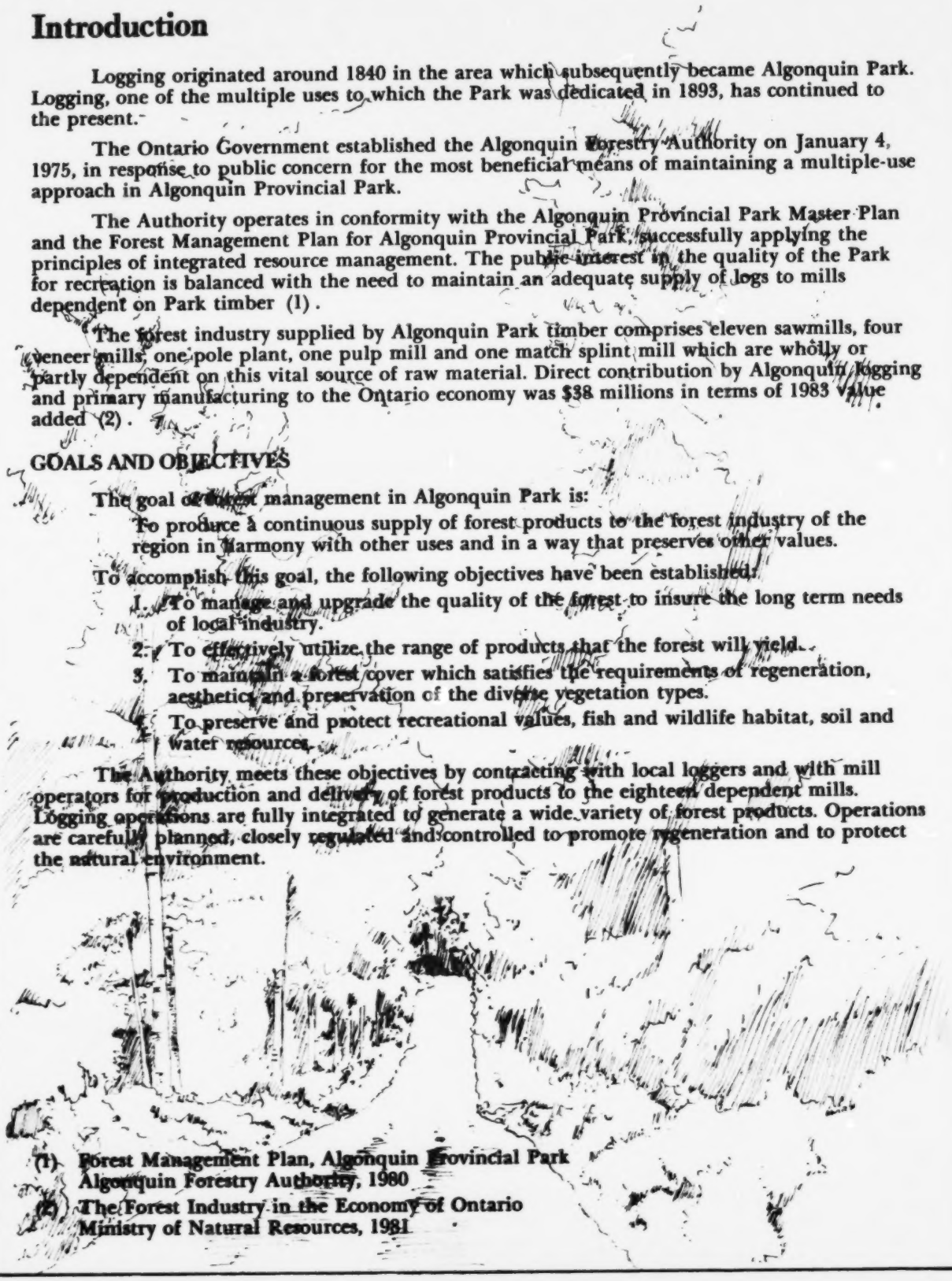
The goal of forest management in Algonquin Park is:

> To produce a continuous supply of forest products to the forest industry of the region in harmony with other uses and in a way that preserves other values.

To accomplish this goal, the following objectives have been established:

1. To manage and upgrade the quality of the forest to insure the long term needs of local industry.
2. To effectively utilize the range of products that the forest will yield.
3. To maintain a forest cover which satisfies the requirements of regeneration, aesthetics and preservation of the diverse vegetation types.
4. To preserve and protect recreational values, fish and wildlife habitat, soil and water resources.

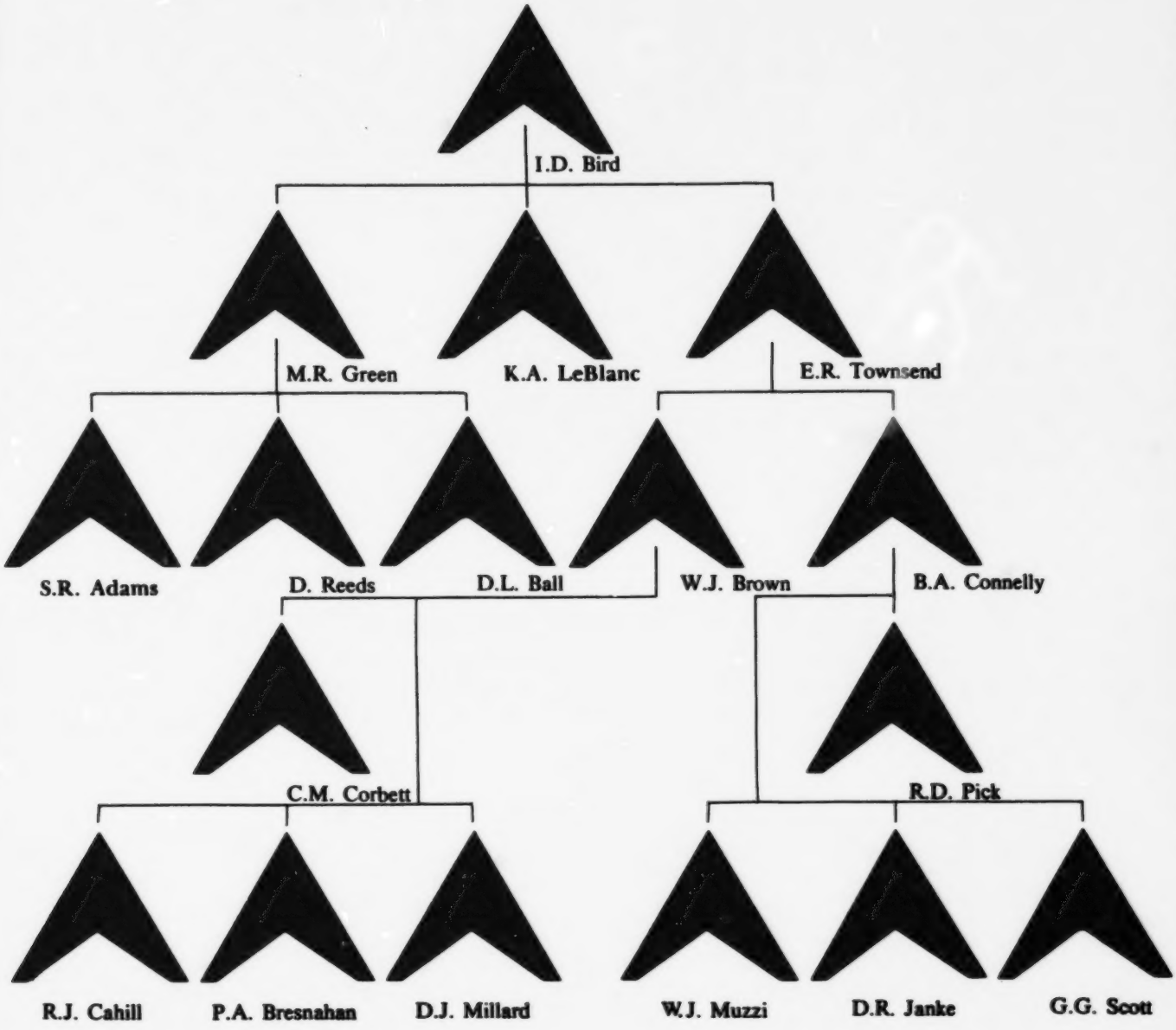
The Authority meets these objectives by contracting with local loggers and with mill operators for production and delivery of forest products to the eighteen dependent mills. Logging operations are fully integrated to generate a wide variety of forest products. Operations are carefully planned, closely regulated and controlled to promote regeneration and to protect the natural environment.



(1) Forest Management Plan, Algonquin Provincial Park
Algonquin Forestry Authority, 1980

(2) The Forest Industry in the Economy of Ontario
Ministry of Natural Resources, 1981

# Organization Chart



# Product Distribution
# (Cubic Metres)

| PRODUCT | ANNUAL AVAILABLE HARVEST | ANNUAL ALLOCATION | SURPLUS AVAILABLE | HARVEST 1982 - 83 | HARVEST 1981 - 82 |
|---|---|---|---|---|---|
| Hardwood Veneer Logs | 12,740 | 12,740 | | 12,160 | 8,400 |
| Hardwood Sawlogs | 144,330 | 136,770 | 7,560 | 75,480 | 74,340 |
| Hemlock Sawlogs | 59,430 | 41,840 | 17,590 | 30,860 | 29,960 |
| Pine & Spruce Sawlogs | 90,600 | 90,610 | | 113,380 | 105,390 |
| Poplar Splint Logs | 4,620 | 4,620 | | 4,450 | 4,120 |
| Red Pine Poles | 7,500 | 7,500 | | 6,260 | 15,120 |
| Pulpwood (Includes Firewood) | 268,850 | 127,430 | 141,420 | 122,860 | 158,510 |
| TOTAL | 588,070 | 421,510 | 166,570 | 365,450 | 395,840 |

## LOGGING OPERATIONS

Total harvest of 365,450 m3 was lower by 30,390 m3, or 8% less than last year. Demand for logs was low through most of the year. A late surge in demand combined with favourable logging conditions through the open winter boosted the harvest 36,450 m3 beyond the level forecast last year.

The pulpwood and fuelwood component which has enjoyed a steady increase since the Authority's inception in 1975, suffered a decline of 35,650 m3 to represent 34% of total harvest from the peak of 40% last year.

## SALES

Demand for all manufactured forest products was low and many client mills incurred losses at the depressed prices prevailing. This situation held raw material prices to 1981 levels, effectively dampening any incentive to produce. Declining interest rates failed to generate recovery as the economy remained in recession. A late-year surge in demand and price for spruce lumber resulting from increased housing starts was a temporary side effect of Government grants to first time homeowners, rather than a sustained market improvement. Hardwood lumber markets were soft throughout the year and prices remained depressed below 1979 levels. The major lumber component from Algonquin hardwoods is low grade maple used for industrial crating, blocking and pallets. The low level of industrial activity has curtailed demand for these products. The large volumes of low quality by-products generated by integrated operations were particularly difficult to dispose of, with weak pulpwood demand and a regional surplus of fuelwood resulting from employment assistance programs for forest stand improvement.

## FOREST UTILIZATION

The strategy adopted by the Authority to achieve the forest management objective "Upgrade the quality of the forest," has been aggressive marketing of low quality by-products such as pulpwood and fuelwood. This strategy has enjoyed increasing success from 1975, when these products comprised 13% of total harvest, until 1981 when their recovery reached 40% of harvest. There is an element of improvement cutting in this trend which will be reflected in future growth of residual stands remaining after partial cuts. The trend was however broken in 1982 when unfavourable market forces in a weak economy forced low-end recovery down to 34% of harvest. The graph on page 8 illustrates the historical trend of pulpwood-fuelwood recovery.

## FOREST MANAGEMENT

The Operations Planning Cruise program continued with 17,000 hectares covered. The normal program was supplemented by a winter cruise of 7,000 ha under the Canada - Ontario A.F.I.P. project providing work for unemployed woodsworkers.

A tree marking contract on 1,700 ha was completed successfully.

Survey of 1981-82 cut mapped 13,000 ha. Yield was 30.4 m3/ha, down from 32.7 m3 the previous year, reflecting the lower quality of the stands allocated for cutting and the reduced recovery of low quality by-products.

The Minister of Natural Resources announced in July 1982 the "transfer of responsibility for forest management in Algonquin Provincial Park to the Algonquin Forestry Authority, beginning April 1, 1983." This transfer will effectively integrate the harvesting and product distribution activities of the Authority with tree marking, scaling, silvicultural projects and maintenance of multi-use roads. The Ministry of Natural Resources retains its directional advisory and regulatory roles.

Extensive discussions on technical, administrative and financial matters led to an orderly phased transfer at the year-end.

## CONSTRUCTION

Strained cash resources and high borrowing costs early in the year limited capital construction to 1.7 km of the Shirley Lake Road. This road is now complete to 27 km.

Repairs were made to the Opeongo River Bridge to allow for passage of greater stream flow.

## REHABILITATION

Buildings have been removed and site rehabilitation work has started on the location of a former logging camp at Radiant Lake.

The temporary winter road crossing of the Bridle Lake - Shirley Lake Portage was removed and the site was restored to its natural condition.

## PERSONNEL

Training was provided to all levels of staff on principles and operation of computers in preparation for a planned data processing system.

The General Manager completed a short term assignment by the Minister of Natural Resources as Chairman of the Forest Utilization Practices Review Committee.

Recruiting was undertaken for four new positions required to direct the forest management work assigned by the Minister.

## PUBLIC RELATIONS

A summary of the Forest Management Plan was printed and is available to the general public from the Authority office.

Contact with the public was maintained through distribution of the information brochure.

Speaking engagements, lectures and field visits informed a variety of groups on integrated resource management in Algonquin.

## FINANCE

Net income of $3,430 represents an improvement of $87,159 over last year's loss.

The high level of accounts receivable at $706,402 reflects the late-season surge in log deliveries and the extended cutting season. Abnormally high inventory of $40,804 represents the value of logs undelivered at spring break-up. These logs were forwarded to gravel roads to await final delivery after removal of spring load restrictions. Outstanding loan to the Province was $266,585 at year-end. This amount was subsequently paid in full as receivables came in for late deliveries.

Revenue of $6,762,415 down $1,473,316 and expenditures of $6,758,985 down $1,560,475 reflect the decline in volume as well as a significant reduction in discretionary expenses in anticipation of reduced revenue.

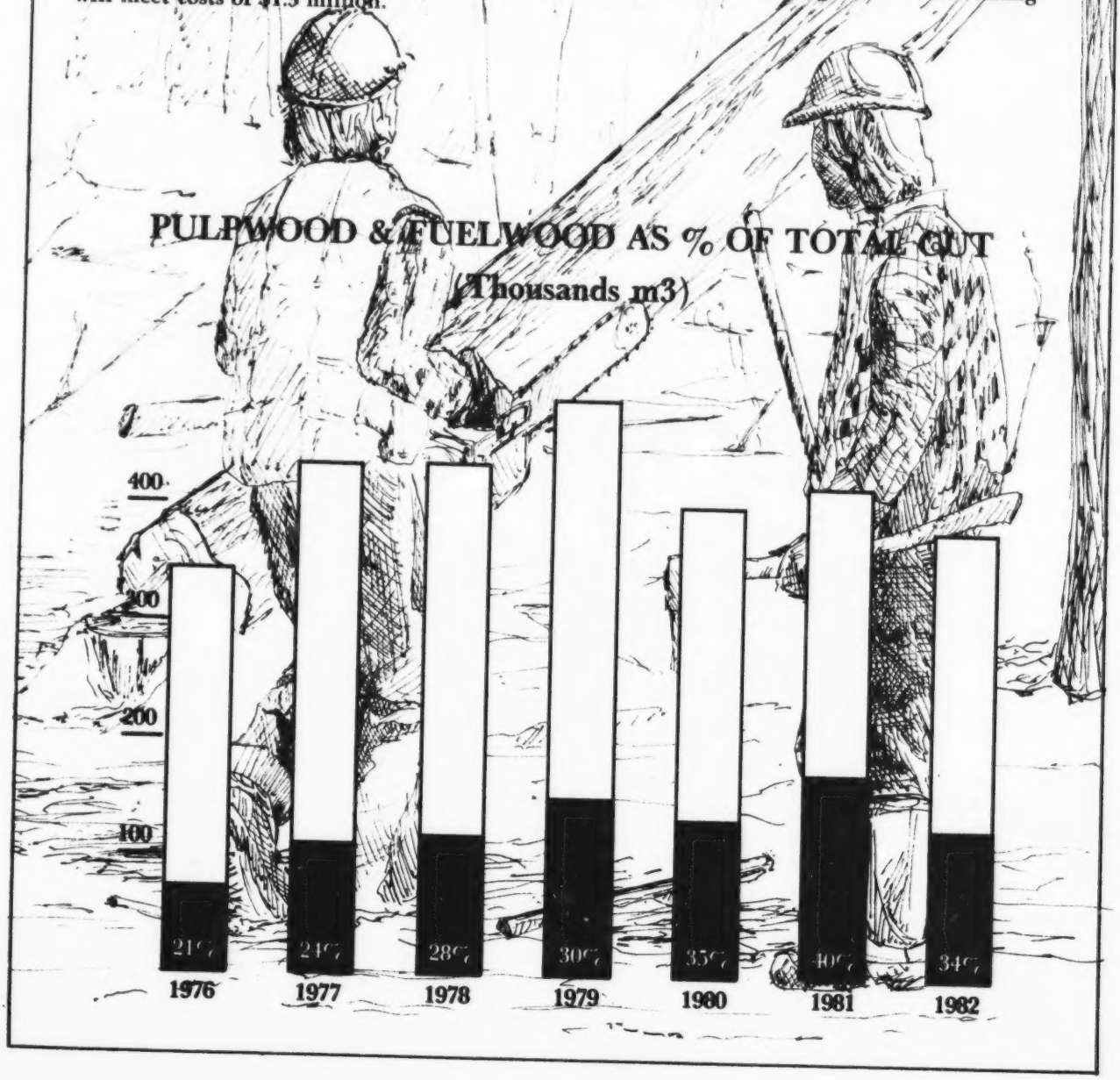
Administrative overhead at $886,332 was down $2,810 from last year. A major element in this improvement was a $20,101 decline in interest expense resulting from lower borrowing requirements and declining rates.

**FORECAST 1983-84**

It is apparent that the general economic up-turn will be weak and gradual with persistence of high unemployment and a fragile decline in inflation rate. Forest product markets will be favourably influenced by low interest rates which have already generated increased housing starts with resulting improvements in demand and price for softwood lumber. Hardwood lumber markets have not yet reacted, dependent as they are on industrial activity. Lower cost U.S. hardwood producers have successfully penetrated Ontario markets and local producers will require substantially higher prices in order to compete. Pulp demand is expected to strengthen later in the year.

Planned production of 427,000 m3 is up 62,000 m3 over 1982 with 52% of the increase being pulpwood. The plan is currently threatened by a mill strike at a major hardwood user. Forecast sales income of $8 million will maintain a breakeven position.

Revenue from work assigned within the terms of the Forest Management Under-taking will meet costs of $1.3 million.



# Algonquin Forestry Authority

(Incorporated without share capital under the Algonquin Forestry Authority Act)

**BALANCE SHEET AS AT MARCH 31, 1983**

| ASSETS | 1983 $ | 1982 $ |
|---|---|---|
| **Current** | | |
| Cash | 10,553 | 11,347 |
| Accounts receivable | 706,402 | 398,023 |
| Inventory | 40,804 | 22,227 |
| Prepaid expenses | 914 | 1,269 |
| | 758,673 | 432,866 |
| **Fixed** (note 2) | 248,325 | 250,815 |
| Deferred charges | 128,191 | 135,733 |
| | 1,135,189 | 819,414 |

**LIABILITIES AND SURPLUS**

| | | |
|---|---|---|
| **Current Liabilities** | | |
| Accounts payable and accrued liabilities | 334,781 | 214,287 |
| Contractors' performance holdbacks | 52,742 | 127,476 |
| Term loans, Province of Ontario | 266,585 | — |
| | 654,108 | 341,763 |
| **Surplus** | 481,081 | 477,651 |
| | 1,135,189 | 819,414 |

See accompanying notes to financial statements.

On behalf of the Board:

Frank Parrott. — Director

B. A. Reynolds — Director

# Algonquin Forestry Authority

**STATEMENT OF REVENUE AND EXPENDITURE FOR THE YEAR ENDED MARCH 31, 1983**

| | 1983<br>$ | 1982<br>$ |
|---|---|---|
| **Revenue** | | |
| Product sales | 6,031,694 | 7,649,657 |
| Standing timber sales | 644,189 | 570,439 |
| Tree marking revenue | 69,018 | — |
| Other | 17,514 | 15,635 |
| | 6,762,415 | 8,235,731 |
| **Expenditure** | | |
| Operating - direct | | |
| Logging and distribution costs | 4,913,964 | 6,375,851 |
| Crown timber stumpage charges | 823,232 | 971,979 |
| Tree marking | 52,550 | — |
| Scaling | 37,351 | 33,590 |
| Operations planning | 20,318 | 12,102 |
| Road maintenance | 17,095 | 30,415 |
| Area charges | 8,143 | 6,381 |
| | 5,872,653 | 7,430,318 |
| Operating income | 889,762 | 805,413 |
| Administrative - indirect operating and other | | |
| Salaries and benefits | 569,822 | 524,528 |
| Interest | 71,586 | 91,687 |
| Depreciation and amortization | 67,380 | 66,342 |
| Vehicle operating | 40,980 | 43,213 |
| Office supplies and expenses | 37,556 | 27,856 |
| Directors' allowances and expenses | 28,779 | 20,466 |
| Office rent | 28,551 | 27,862 |
| Legal | 9,793 | 3,105 |
| Technical supplies | 8,099 | 6,154 |
| Staff travel | 6,610 | 9,433 |
| Insurance | 5,133 | 7,231 |
| Public relations | 4,218 | 12,955 |
| Staff training | 4,047 | 2,310 |
| Staff recruitment and relocation | 3,455 | — |
| Bad debt expense | 323 | 46,000 |
| | 886,332 | 889,142 |
| **Net income (loss) for the year** | 3,430 | (83,729) |

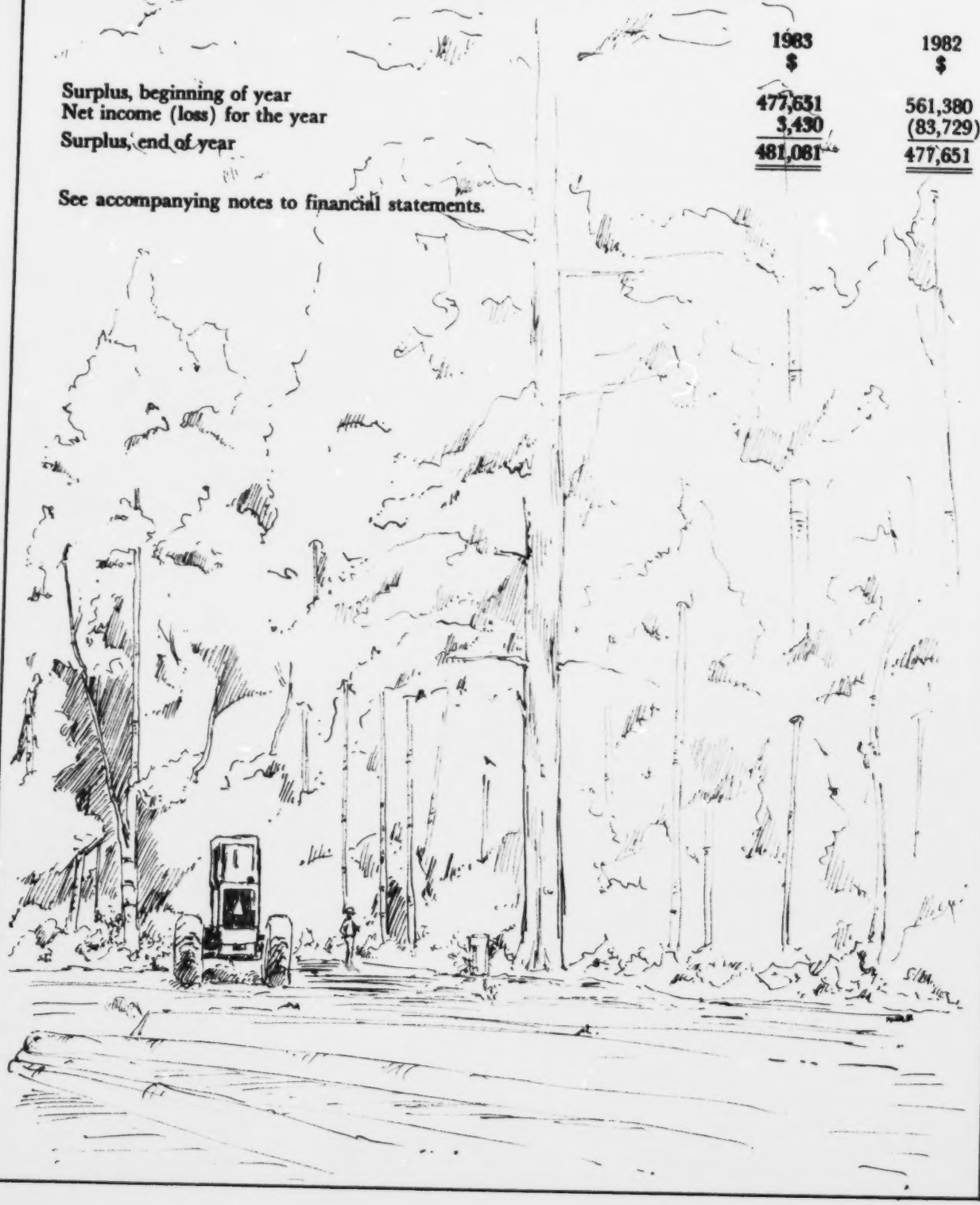
See accompanying notes to financial statements.

# Algonquin Forestry Authority

## STATEMENT OF SURPLUS FOR THE YEAR ENDED MARCH 31, 1983

| | 1983<br>$ | 1982<br>$ |
|---|---|---|
| Surplus, beginning of year | 477,651 | 561,380 |
| Net income (loss) for the year | 3,430 | (83,729) |
| Surplus, end of year | 481,081 | 477,651 |

See accompanying notes to financial statements.

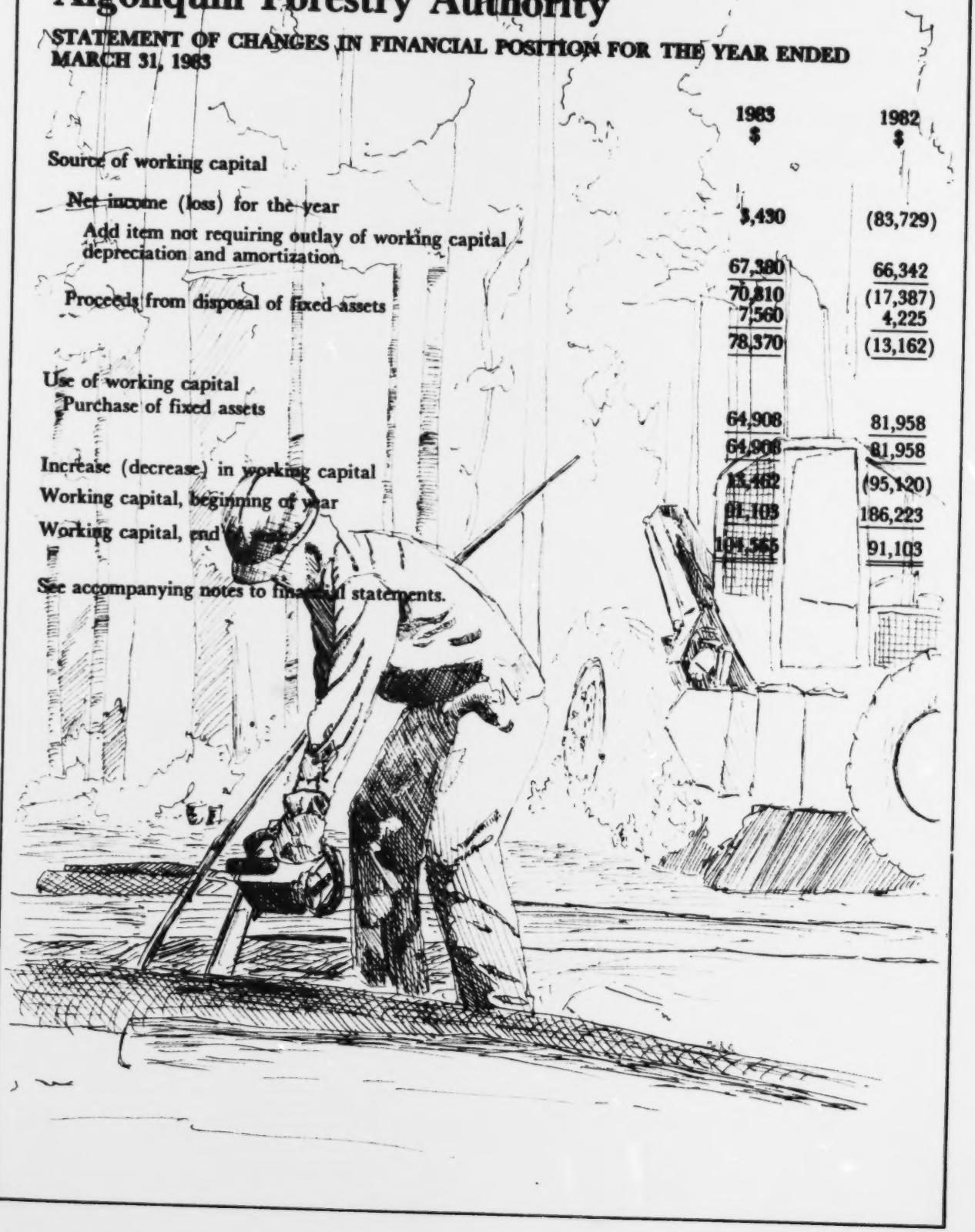


# Algonquin Forestry Authority

**STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1983**

| | 1983 $ | 1982 $ |
|---|---|---|
| **Source of working capital** | | |
| Net income (loss) for the year | 3,430 | (83,729) |
| Add item not requiring outlay of working capital - depreciation and amortization | 67,380 | 66,342 |
| | 70,810 | (17,387) |
| Proceeds from disposal of fixed assets | 7,560 | 4,225 |
| | 78,370 | (13,162) |
| **Use of working capital** | | |
| Purchase of fixed assets | 64,908 | 81,958 |
| | 64,908 | 81,958 |
| Increase (decrease) in working capital | 13,462 | (95,120) |
| Working capital, beginning of year | 91,103 | 186,223 |
| Working capital, end of year | 104,565 | 91,103 |

See accompanying notes to financial statements.



# Algonquin Forestry Authority

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 1983

### 1. SIGNIFICANT ACCOUNTING POLICIES

(a) Inventory
Inventory is stated at the lower of cost and net realizable value.

(b) Depreciation and amortization of fixed assets
Depreciation is provided for on the straight line method, generally using rates of 10 per cent per annum for furniture, fixtures, technical equipment, buildings and structures and 33⅓ per cent per annum for automotive equipment. The cost of capital roads is amortized over the estimated number of operating seasons for which the roads are to be used, with a maximum amortization period of ten years.

(c) Deferred charges
Certain costs incurred in the development of a comprehensive forest management plan applicable to the period April 1, 1980 to March 31, 2000 were deferred and are being amortized on a straight line basis over 20 years.

### 2. FIXED ASSETS

Fixed assets in service are stated at cost and consist of:

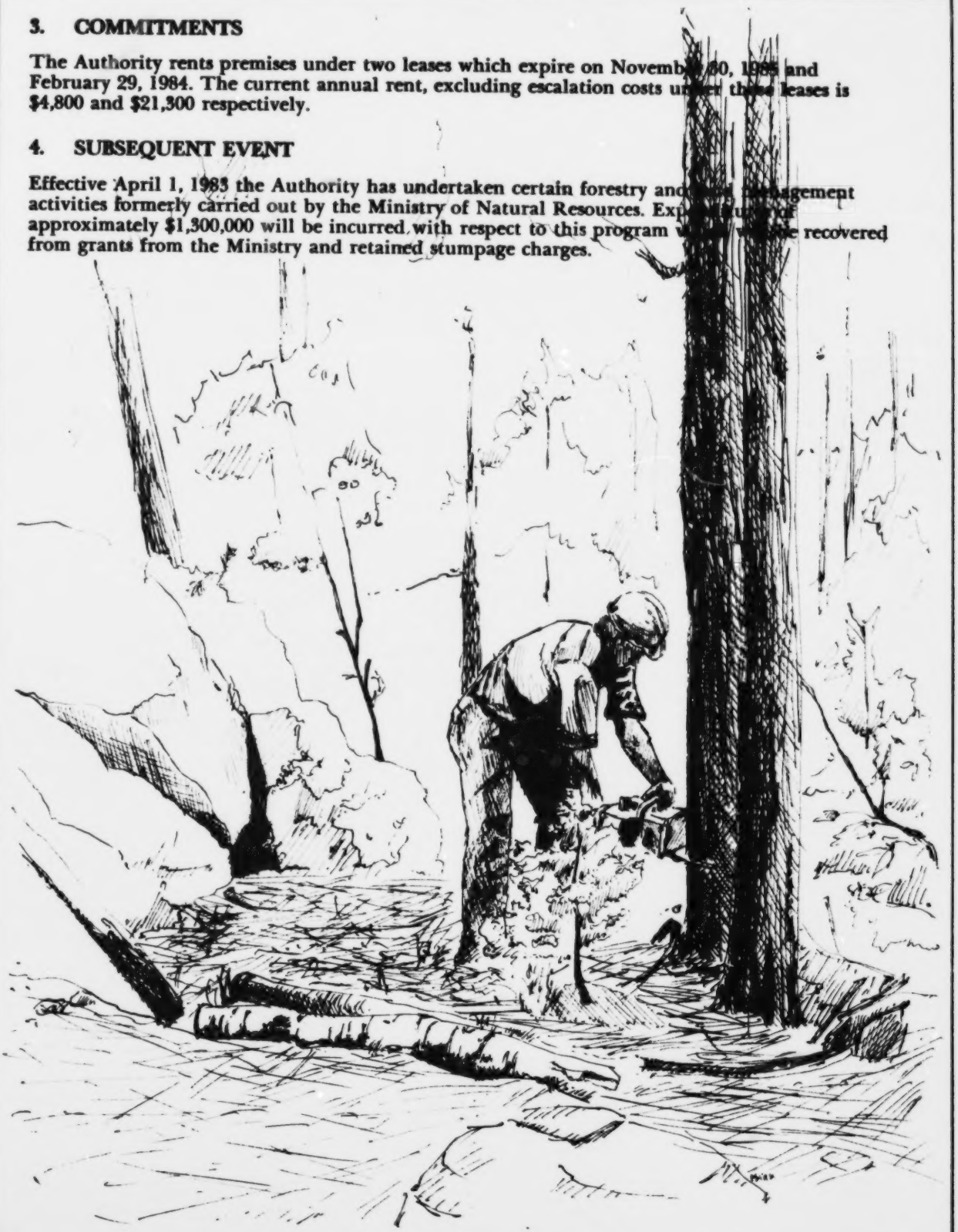
| | 1983 | | 1982 | |
|---|---|---|---|---|
| | Cost | Accumulated Depreciation and Amortization | Cost | Accumulated Depreciation and Amortization |
| | $ | $ | $ | $ |
| Furniture and fixtures | 33,405 | 15,781 | 34,751 | 12,960 |
| Technical equipment | 11,403 | 4,070 | 6,519 | 3,106 |
| Automotive equipment | 91,237 | 60,541 | 82,733 | 51,764 |
| Buildings and structures | 13,461 | 7,294 | 13,461 | 5,948 |
| Capital roads | 392,874 | 206,369 | 361,027 | 173,897 |
| | 542,380 | 294,055 | 498,490 | 247,675 |
| | 294,055 | | 247,675 | |
| | 248,325 | | 250,815 | |

## 3. COMMITMENTS

The Authority rents premises under two leases which expire on Novemb[illegible]30, 1985 and February 29, 1984. The current annual rent, excluding escalation costs u[illegible]er th[illegible]e leases is $4,800 and $21,300 respectively.

## 4. SUBSEQUENT EVENT

Effective April 1, 1983 the Authority has undertaken certain forestry and [illegible]agement activities formerly carried out by the Ministry of Natural Resources. Exp[illegible]ut[illegible] of approximately $1,300,000 will be incurred with respect to this program w[illegible]e recovered from grants from the Ministry and retained stumpage charges.



Ontario

Office of the Provincial Auditor

Parliaments Buildings, Queen's Park, Toronto Ontario M7A 1A2 416/965-1381

To the Members, Algonquin Forestry Authority, and
to the Minister of Natural Resources.

I have examined the balance sheet of the Algonquin Forestry Authority as at March 31, 1983 and the statements of revenue and expenditure, surplus, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

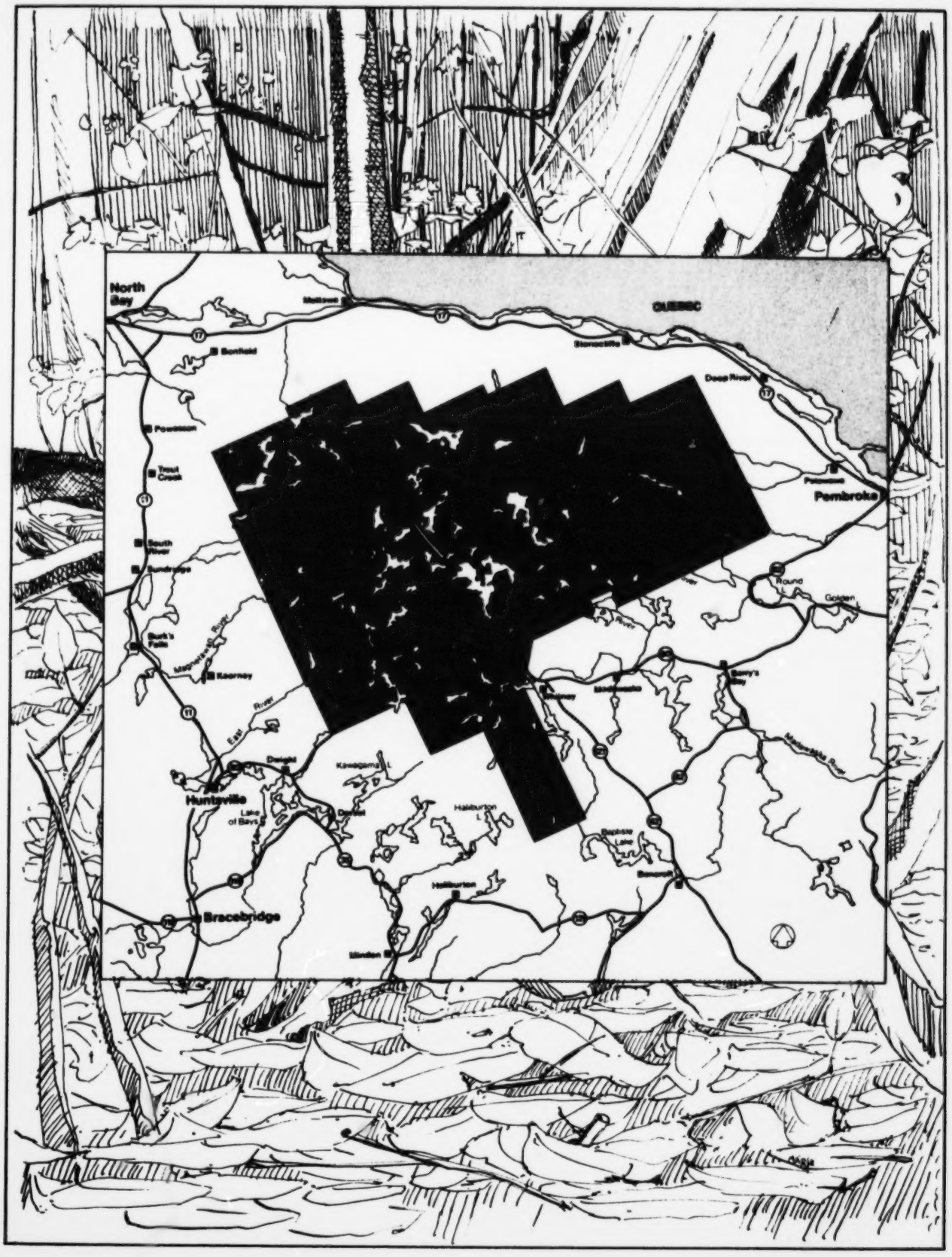
In my opinion, these financial statements present fairly the financial position of the Authority as at March 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

In accordance with section 18 of the Algonquin Forestry Authority Act, a report on the audit has been made to the Authority and to the Minister.

D.F. Archer

Toronto, Ontario,
June 10, 1983.

D.F. Archer, F.C.A.,
Provincial Auditor.


North Bay
QUEBEC
Pembroke
Huntsville
Bracebridge
Lake of Bays
Dwight
Dorset
Kearney
Burk's Falls
Sundridge
South River
Trout Creek
Powassan
Deep River
Mattawa
Haliburton
Minden
Bancroft
Round L.
Golden
Madawaska River
Maple Lake
Halburton L.
Kawagama L.
East River
Magnetawan River

**Algonquin Forestry Authority**

P.O. Box 1198, Huntsville, Ont. P0A 1K0